DOCUMENT RESUME

ED 032 954 RC 003 671

Financing of Private Outdoor Recreation.
Department of the Interior, Washington, D.C. Bureau of Outdoor Recreation.
Pub Date May 67
Note-23p.
EDRS Price MF-$0.25 HC-$1.25
Descriptors-Banking, *Credit (Finance), Financial Problems, Financial Support, *National Surveys, *Private Financial Support, Questionnaires, *Recreational Facilities, *Recreation Finances

A survey of financial institutions was undertaken by the Bureau of Outdoor Recreation to evaluate the demand and availability of private credit for enterprises that provide outdoor recreation. The survey provided basic information for (1) evaluating legislative proposals for loan guarantee programs, (2) nationwide planning, and (3) assessing the role and problems of the private sector in providing outdoor recreation. Out of a sample of 2,091 banks, savings and loan associations, and life insurance companies, 72.1 percent (1,509 institutions) responded to the mail questionnaire. The principal finding was a need for improvement in the availability of credit for financing outdoor recreation enterprises. In addition, financial institutions lacked information regarding these enterprises and their potential as borrowers. (TL)

Financing of Private Outdoor Recreation

ED0 329954

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

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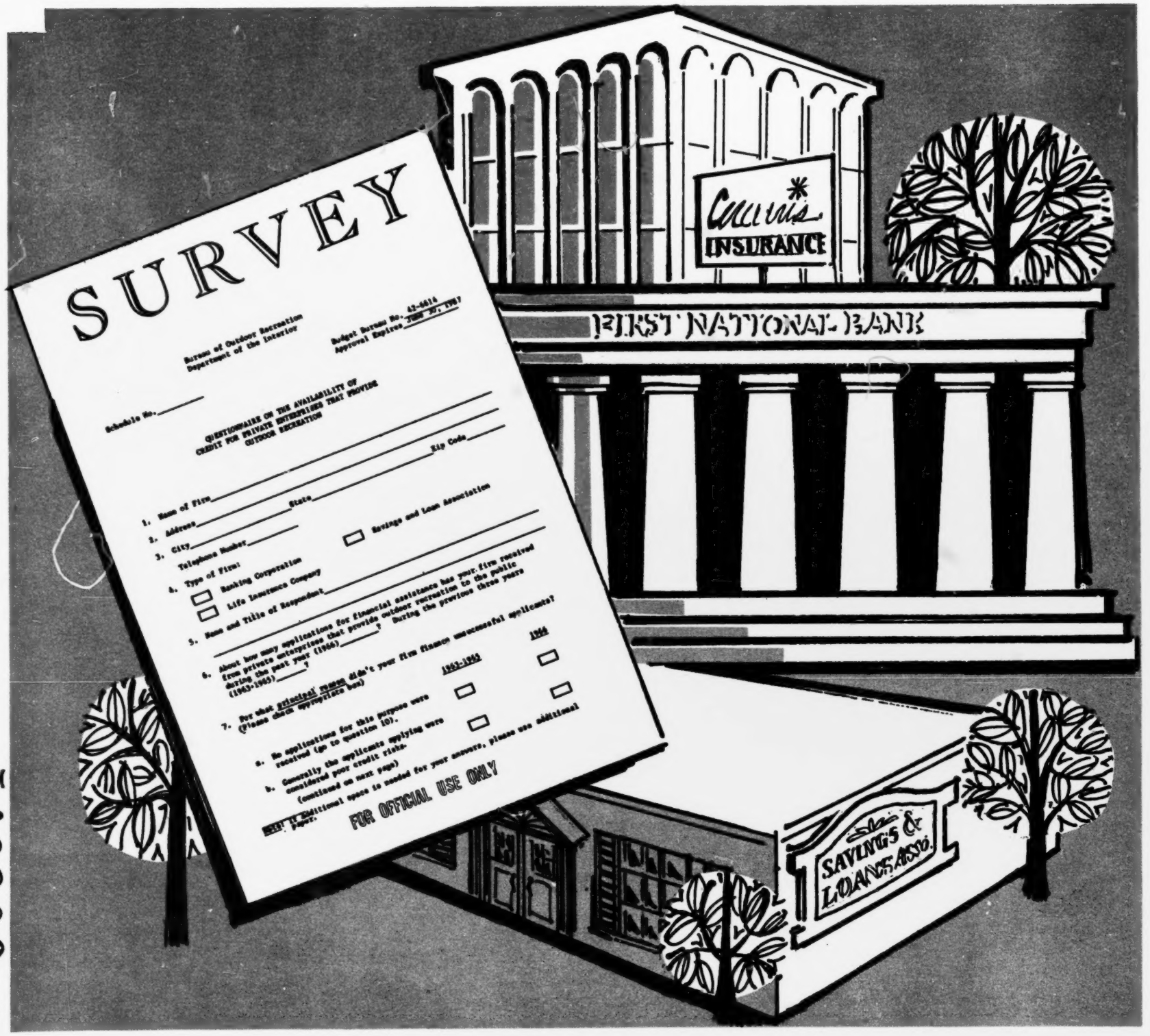
SURVEY
Bureau of Outdoor Recreation
Department of the Interior
Budget Bureau No. 42-6614
Approval Expires
Schedule No.
QUESTIONNAIRE ON THE AVAILABILITY OF CREDIT FOR PRIVATE ENTERPRISES THAT PROVIDE OUTDOOR RECREATION
1. Name of Firm
2. Address
3. City
State
Zip Code
Telephone Number
4. Type of Firm:
Banking Corporation
Savings and Loan Association
Life Insurance Company
5. Name and Title of Respondent
6. About how many applications for financial assistance has your firm received from private enterprises that provide outdoor recreation to the public during the past year (1966) ? During the previous three years (1963-1965) ?
7. For what principal reason did/s your firm finance unsuccessful applicants? (Please check appropriate box)
1963-1965
1966
a. No applications for this purpose were received (go to question 10).
b. Generally the applicants applying were considered poor credit risks.
(continued on next page)
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INSURANCE
FIRST NATIONAL BANK
SAVINGS & LOANS ASSOC.

RC 003671

DEPARTMENT OF THE INTERIOR Bureau of Outdoor Recreation

FINANCING OF
PRIVATE OUTDOOR RECREATION

DEPARTMENT OF THE INTERIOR
Bureau of Outdoor Recreation
May 1967

Foreword

Under Public Law 88-29, approved May 28, 1963, the Bureau of Outdoor Recreation is authorized to undertake studies and to assemble and disseminate information concerning outdoor recreation.

This survey of financial institutions was undertaken by the Bureau of Outdoor Recreation to evaluate the need of private enterprises providing outdoor recreation for credit assistance programs.

There was an excellent response to the survey and the response indicated a strong interest by the financial community in the possibilities of more participation in financing outdoor recreation.

We hope this interest will continue and will increase so the private sector will continue to have a major role in providing outdoor recreation.

John F. Shanklin

John F. Shanklin
Assistant Director for
Federal Coordination
Bureau of Outdoor Recreation
May, 1967

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FINANCING OF PRIVATE OUTDOOR RECREATION

(A Survey of Banks, Savings and Loan Associations, and Insurance Companies)

Introduction

The Bureau of Outdoor Recreation conducted this survey to evaluate the demand and availability of private credit for enterprises that provide outdoor recreation. The survey was needed to provide basic information 1) for evaluating legislative proposals for loan guarantee programs, 2) for nationwide planning, and 3) for assessing the role and problems of the private sector in providing outdoor recreation.

In the survey, we found a need for improvement in the availability of credit for financing outdoor recreation enterprises. In addition to suggesting improvement, most of the financial institutions responding to the survey favored the creation of a Federal participating loan program over a Federal loan insurance program.

We also found that financial institutions lacked information regarding outdoor recreation enterprises and their potential as borrowers and a corresponding need to inform financial institutions regarding opportunities for making loans in the outdoor recreation field.

Objectives

The main objectives of the survey were:

1. To determine if there is a significant shortage of private credit available for the outdoor recreation industry.

2. To determine if banks, savings and loan associations, and life insurance companies need additional Federal assistance to meet adequately the demand for credit in the outdoor recreation industry.
3. To ascertain the problems encountered by banks, savings and loan associations, and life insurance companies in lending to recreation enterprises.

Sample

The sample frame consisted of 21,000 main offices of banks, savings and loan associations, and life insurance companies throughout the 50 States. The sample respondents were selected from the 1966 edition of the Rand McNally International Bankers Directory-1966, the Directory of American Savings and Loan Associations-1965, and the Spectator Desk Directory of Insurance-1964. Among the information supplied on each institution are their addresses.

The firms were selected systematically after a random start from the above mentioned alphabetical listings. The sample rate varied for each of the three groups in order to assure enough schedules for analyses purposes. The firms selected were interviewed by mail questionnaire.

The sample size totaled 2,091 institutions consisting of approximately 1,023 banks, 675 savings and loan associations, and 393 life insurance companies. Two mailings were completed and the

returns from each were tabulated separately and found comparable. Responses from the first mailing amounted to 748 returns and from the second mailing 761 or a total of 1,509 returns. This above average response of 72.1 percent from two mailings indicates strong interest by the financial community in this survey on the financing of outdoor recreation enterprises.

The sample was designed to be national in scope; therefore, no valid analysis of the data can be made by census region or State. Moreover, the data are stratified by the three types of financial institutions and when considered as a whole, must be weighted to compensate for varying sampling rates. Responses were received from 69 percent of the banks in the sample, and 75 percent of the savings and loan associations, and life insurance companies. Overall response was 72.1 percent or a non-response of 27.9 percent. The non-responding banks, savings and loan associations, and insurance companies were subjected to statistical analysis by asset size and geographical distribution. The results show no significant differences with respect to banks and savings and loans; however, the insurance companies show significant differences in both factors. Further analysis of the insurance company non-response indicates an above average non-response for companies with assets of over $100 million and for those companies located in the East South Central and West South Central areas of the United States.

Discussion of responses

Need for Federal Credit Assistance

In two key questions, answers were sought concerning whether or not the introduction of a Federal loan insurance program or a participating loan program designed specifically for outdoor recreation would make a firm more inclined to make such loans. Based on 870 responses to this question, and assuming that those non-responses would have responded in a similar fashion, a weighted total of 61 percent of the entire financial community would answer the question relating to a loan program affirmatively. 1/ Based on 781 responses with the same assumption as above, a weighted total of 70 percent of the entire financial community would agree that a participating loan program would make their firm more inclined to grant loans for outdoor recreation enterprises. Many of the responding firms answered "yes" to the questions but with the dual reservation that the interest rate allowed be competitive and the loan be basically sound. The reasons often given for not approving of the loan insurance and participating loan programs were a lack of loanable funds, prohibitions against such loans by law or company policy, and the administrative problems associated with government programs in general.

In response to the questions on loan insurance and a participating

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1/ All percentages relating to the entire financial community have been weighted to compensate for varying sampling rates.

loan program, 66 percent of the responding banks indicated that a loan insurance program would make the firm more inclined to make outdoor recreation loans, compared with 52 percent of the insurance companies, and 50 percent of the savings and loan associations. A participating loan program would have a favorable influence on outdoor recreation loans for 74 percent of the 411 responding banks compared with 50 percent of the savings and loan associations and only 40 percent of life insurance companies. 1/ The relatively low percentages by savings and loan associations and life insurance companies are not totally unexpected. Providing home loans is the principal purpose of most savings and loan associations either because of their own regulations or those of the State. The same is true, though to a lesser extent, for life insurance companies.

Loan applications

The great majority of the financial institutions have not had any applications for outdoor recreation loans. In the 1963-65 period, 72 percent of the firms in the financial community had not received applications; in 1966 the figure was 79 percent. In the 1963-65 period, 314 firms of those answering the question received 1,697 loan applications; in 1966, 237 received 650 requests. Not unexpectedly, banks were more inclined than the other types of

1/ A participating loan program would have a favorable influence on outdoor recreation loans for 77 percent of the entire banking community, 50 percent of all savings and loan associations and 40 percent of all life insurance companies, given the same assumption as previously stated.

financial institutions to approve requests for outdoor recreation loans. During 1963-65, the responding banks approved 412 of 918 requests, or 44.9 percent. Savings and loan approvals were 34.3 percent; life insurance companies 13 percent. For 1966, approval percentages were 37.4 for banks, 25.3 for savings and loan and 8.8 for life insurance companies. Very few responses were given to the question of comparing the rejection rates for outdoor recreation loans and those for other businesses. Bankers expressed the opinion that rejection rates were similar, but savings and loan associations and life insurance companies indicated greater rejection rates for outdoor recreation business loans.

An insurance company, which did receive loan applications for outdoor recreation, tended to receive more applications on average than either banks or savings and loan associations. In 1966, insurance companies having applications averaged 3.3 applications per company compared with 2.7 for banks and 2.1 for savings institutions. The difference was even more pronounced in the 1963-65 period when the averages were 10.5, 5.0 and 2.7, respectively.

Reasons for rejecting loan applicants

The primary reasons given for not financing applicants were that neither the applicant nor the enterprise were adjudged good credit risks. The explanation for this lies in the fact that 66 percent of the financial community believed that outdoor recreation businesses

were more risky than average with regard to credit risk, assuming those responding to the question are representative of the non-respondents. Only eight percent believe outdoor recreation enterprises were more profitable than average while 54 percent assumed them to be average profit makers and 38 percent less than average. Limited seasons, inexperienced managers, the non-essential nature of the activity (fad), and limited equity capital, in that order, were the principle reasons given as to why outdoor recreation was more risky than average with regard to credit risk.

Need for technical assistance

Technical assistance in its various forms was considered the best action the Federal Government could take to stimulate investment in the outdoor recreation industry, according to 62 percent of the weighted responses for the entire financial community. A significant number (14 percent) thought that the government should stay out of it altogether.

Credit risk and profitability

Financial institutions also had varying opinions as to the credit risk and profitability of outdoor recreation enterprises. With regard to credit risk, all agreed that such businesses were more risky than average, with 89 percent of life insurance companies, 76 percent of savings and loan associations, and 62 percent of the banks stating this opinion. Outdoor recreation businesses were only of average or less than average profitability but which one varied by institution.

Some 57 percent of the responding banks and 46 percent of the savings institutions indicated average profitability. Of the life insurance companies, however, only 27 percent responded in this fashion while 64 percent of the 121 companies answering the question felt such businesses made less than average profits.

The limited number of responses to the various open-end questions did not vary significantly between types of institutions.

Conclusions

The principal finding of the survey is that improvement is needed in the availability of credit for financing outdoor recreation enterprises. Financial institutions favored the creation of a participating loan program over a loan insurance program. However, any new credit program would have to be designed to insure a competitive rate of interest with a minimum amount of red tape involved. It is difficult to forecast the success of either program for two reasons. First, most firms will still require that the loan application fulfills the basic requirements of the lending institution. Secondly, many savings and loan associations and life insurance companies are prohibited, either by law or policy, from making such loans.

Most financial institutions admit ignorance of the economics of an outdoor recreation enterprise. The results of the survey show that

information is needed concerning the demand for the services of such enterprises and the profitability of same. In the same vein, much technical assistance is needed in the planning, developing, and operating of outdoor recreation enterprises. An often expressed idea was that if the government could provide the basic technical assistance and generate the needed economic data, the lending institutions would finance any sound loan without the need for loan insurance or participating loan programs.

Nothing unexpected was learned with regard to the difficulties inherent in outdoor recreation enterprises. Lending institutions were primarily concerned with the seasonality of the enterprise, the limited managerial ability or experience of the promoters, the deleterious effects of downturns in the economy upon such enterprises, and the limited equity capital being advanced by the mortgagees. The current tight money market undoubtedly had an effect on the type of responses received.

APPENDIX I

Summary of Responses

By

Financial Institutions

No.	Question	Banks	S-L	INS.
	Total Responses:	708	504	297
6.	Number of Applications:			
	Number of Firms Answering Question:	573	382	205
	Number of Firms Having Applications:			
	1963-65	183	76	55
	1966	147	42	48
	Number of Applications:			
	1963-65	918	204	575
	1966	404	87	159
7.	Principal Reason Applications Not Approved:			
	Applicants Were Poor Credit Risks:			
	1963-65	46	17	21
	1966	32	9	15
	Enterprises Were Poor Risks:			
	1963-65	33	17	28
	1966	25	10	20
	Funds Not Available:			
	1963-65	11	6	2
	1966	14	12	1

No.	Question	Banks	S-L	INS.
	Other:			
	1963-65	17	11	5
	1966	17	8	4
8a.	What is your best estimate of the total number of outdoor recreation enterprises that your firm has financed during 1963-65?	412	70	75
8b.	During 1966?	151	22	14
9a.	What is your best estimate of the total number of recreation loan applications to your business which were not granted during 1963-65?	374	138	479
9b.	During 1966?	167	50	132
9d.	Over the last few years has the rejection rate for recreation applications been...			
	Greater than	30	24	30
	Less than	10	3	--
	Similar to	56	18	11

rejection rates for similar business loan applications.

10.	In comparison with all businesses that you usually finance, how does your firm view the outdoor recreation business with regard to credit risk?			
	Average in risk	163	62	16
	More risky than average	281	201	129
	Less risky than average	9	2	0
11.	In comparison with all businesses that you usually finance, how does your firm view the outdoor recreation business with regard to profitability.			
	Average	243	124	33
	Better than average	29	24	11
	Less than average	158	101	77

No.	Question	Banks	S-L	INS.
12.	If your firm considers the outdoor recreation industry more risky than average with regard to credit risk, please list reasons:			
	Seasonality	94	58	55
	Inexperienced Managers	58	35	49
	Fad	53	38	45
	Limited Capital	45	28	33
	Miscellaneous	54	28	34
13.	No Answers.			
14.	If a Federal loan insurance program designed specifically for increasing financing to outdoor recreation enterprises was available, would your firm be more inclined to make loans for this purpose?			
	Yes	291	136	80
	No	151	138	74
15.	Why wouldn't your firm be more inclined to make loans to outdoor recreation enterprises if Federal loan insurance was available specifically for this purpose?			
	Prohibited by Law, Custom or Policy	4	69	29
	Lack of Funds	78	90	40
	Miscellaneous	39	20	16
16.	If a Federal participating loan program designed specifically for increasing financing to outdoor recreation enterprises was available, would your firm be more inclined to make loans for this purpose?			
	Yes	306	119	54
	No	105	117	80
17.	Why wouldn't your firm be more inclined to make loans to outdoor recreation enterprises, if Federal participation loans were available specifically for this purpose?			
	Prohibited by Law, Custom or Policy	6	79	39
	Administrative Problems too Great Red Tape - Low Interest Rate	25	19	15

No.	Question	Banks	S-L	INS.
	Risk too great	14	9	12
	Miscellaneous	42	43	30
18.	What suggestions would your firm make on what actions the Federal Government should take to more effectively stimulate private investment in the outdoor recreation industry?			
	Technical Assistance	169	68	44
	Demand Studies	21	6	5
	Not a Government Function	32	21	20
	Miscellaneous	44	21	27
19.	What, if any, are the main problems that your firm has encountered in making loans to the outdoor recreation industry?			
	Inexperienced management	28	8	10
	Seasonality	15	2	11
	Limited Equity Capital	42	19	10
	Profitability Limited	6	8	5
	Fad	2	1	3
	Lack of Other Uses for Assets	4	2	4
	Prohibited by Law, Custom or Policy	6	60	30
	Miscellaneous	31	11	14

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APPENDIX II

Bureau of Outdoor Recreation
Department of the Interior

Schedule No._____

Budget Bureau No. 42-6614
Approval Expires June 30, 1967

QUESTIONNAIRE ON THE AVAILABILITY OF CREDIT FOR PRIVATE ENTERPRISES THAT PROVIDE OUTDOOR RECREATION

1. Name of Firm_____

2. Address_____

3. City_____ State_____ Zip Code_____

   Telephone Number_____

4. Type of Firm:

   /___/ Banking Corporation ☐ Savings and Loan Association

   /___/ Life Insurance Company

5. Name and Title of Respondent_____

   _____

6. About how many applications for financial assistance has your firm received from private enterprises that provide outdoor recreation to the public during the past year (1966)_____? During the previous three years (1963-1965)_____?

7. For what principal reason didn't your firm finance unsuccessful applicants? (Please check appropriate box)

	1963-1965	1966
a. No applications for this purpose were received (go to question 10).	☐	☐
b. Generally the applicants applying were considered poor credit risks.	☐	☐

(continued on next page)

Note: If additional space is needed for your answers, please use additional paper.

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	1963-1965	1966
c. Generally the types of enterprises were considered poor credit risks,	☐	☐
d. Funds judged not available. Please explain in detail.	☐	☐
e. Other, explain.	☐	☐

8. a. What is your best estimate of the total number of outdoor recreation enterprises that your firm has financed during 1963-1965? _____

   b. During 1966? _____
   (If none financed during 1963-1966, please go to question 9).

   c. Please estimate the percentages of the above (1963-1966 loans) that would have fallen within the following loan-size categories:

Loan Size	Federal Loan Insurance	Federal Participation Loan	Conventional Loan
	(Estimated Percent of Total Loans)		
	%	%	%
$ - $ 50,000	_____	_____	_____
$ 50,000 - $ 74,000	_____	_____	_____
$ 75,000 - $ 99,000	_____	_____	_____
$100,000 - $299,000	_____	_____	_____
$300,000 - $699,000	_____	_____	_____
$700,000 - $999,000	_____	_____	_____
$1 Million +	_____	_____	_____

9. a. What is your best estimate of the total number of recreation loan applications to your business which were not granted during 1963-65?

   _____

   b. During 1966? _____

   c. Please estimate the percentage of the above total (1963-1966) non-granted applications which fell within the following loan-size categories:

Loan Size	Rejected Applications (Estimate percent of Total)
$ 0 - $ 50,000	_____
$ 50,000 - 74,000	_____
$ 75,000 - $ 99,000	_____
$100,000 - $299,000	_____
$300,000 - $699,000	_____
$700,000 - $999,000	_____
$1 Million +	_____

d. Over the last few years (1963-1966) has the rejection rate for recreation applications been greater than /___/, less than /___/, or similar to /___/ rejection rates for similar business loan applications (Please explain, e.g. similar to, except for one year)?

e. Would your firm be willing to discuss the characteristics of those recreation enterprises for which loans were not granted?
/___/ Yes, or /___/ No

10. In comparison with all businesses that you usually finance, how does your firm view the outdoor recreation business with regard to credit risk? (Please check one only).

/___/ Average in risk.

/___/ More risky than average.

/___/ Less risky than average.

11. In comparison with all businesses that you usually finance, how does your firm view the outdoor recreation business with regard to profitability.

/___/ Average.

/___/ Better than average.

/___/ Less than average.

12. If your firm considers the outdoor recreation industry more risky than average with regard to credit risk, please list reasons:

13. Within your area, for those outdoor recreation enterprises your firm is familiar with, which types of facilities does it consider to be above average in risk (in terms of safety of loan)? In the first column below please check those enterprises considered to be above average in risk. Within each range of projected capital investment, please rank the enterprises as to risk; by ranking 1, 2 and 3 i.e., an assignment of 1 means the most risk involved.

Facility Types	Projected Capital Investment							
	Check above average risk within list	$0 to $50,000	$50,000 to $75,000	$75,000 to $100,000	$100,000 to $299,000	$300,000 to $699,000	$700,000 to $999,000	Over $1 Million
Snow Skiing								
Golf course or golf-driving range								
Marina								
Vacation farm or dude ranch								
Sport stadium or race track								
Riding stables								
Campgrounds								
Lodge or resort								
Beach or swimming pool								
Miniature golf or archery								
Hunting or fishing preserve								
Other (please specify;)								

14. If a Federal loan insurance program designed specifically for increasing financing to outdoor recreation enterprises was available, would your firm be more inclined to make loans for this purpose?

/___/ Yes, (please go to question 16) /___/ No

15. Why wouldn't your firm be more inclined to make loans to outdoor recreation enterprises if Federal loan insurance was available specifically for this purpose? (Check one or more)

/___/ Lack of funds (please explain) /___/ Other reasons, please specify:

16. If a Federal participating loan program designed specifically for increasing financing to outdoor recreation enterprises was available, would your firm be more inclined to make loans for this purpose?

/___/ Yes, (please go to question 18) /___/ No

17. Why wouldn't your firm be more inclined to make loans to outdoor recreation enterprises, if Federal participation loans were available specifically for this purpose? Please explain:

18. What suggestions would your firm make on what actions the Federal Government should take to more effectively stimulate private investment in the outdoor recreation industry? (Check one or more)

/___/ Technical assistance (please explain) /___/ Other, please Specify:

19. What, if any, are the main problems that your firm has encountered in making loans to the outdoor recreation industry? Please specify:

GPO 923-030